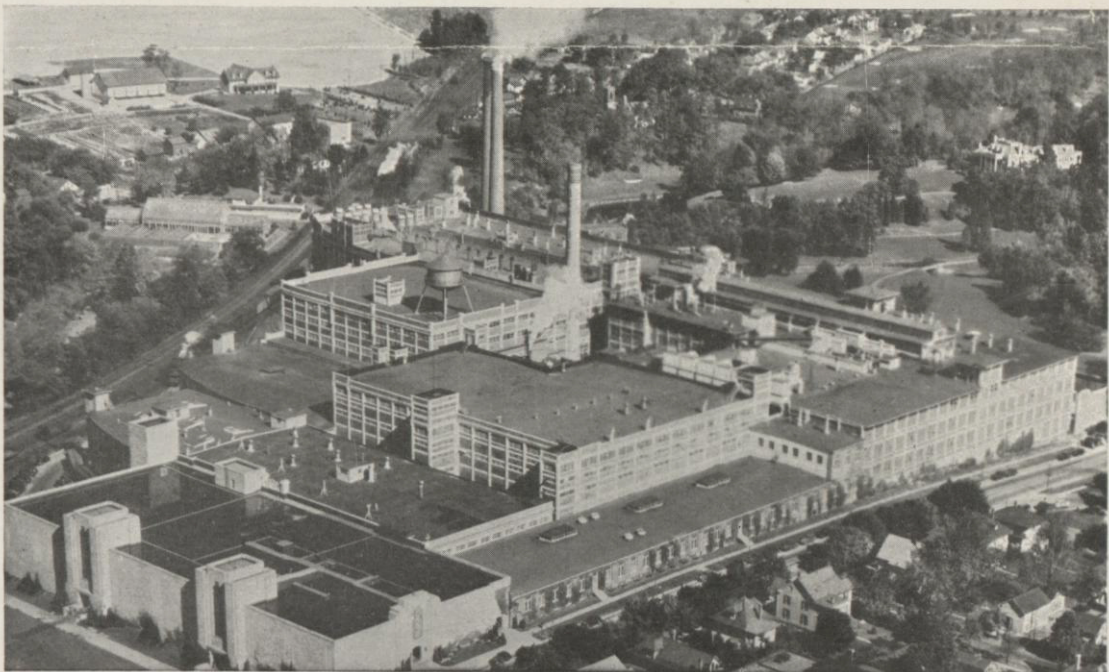


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ANNUAL REPORT

DECEMBER 31, 1945



Home of Hershey's Products

HERSHEY CHOCOLATE CORPORATION
AND SUBSIDIARY COMPANY

HERSHEY, PENNA.

MRB
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HERSHEY CHOCOLATE CORPORATION
AND SUBSIDIARY COMPANY

EXECUTIVE OFFICES, HERSHEY, PA.

OFFICERS

W. F. R. MURRIE	- - - -	President
E. F. HERSHEY	- - - -	Treasurer
L. W. MAJER	- - - -	Secretary
O. E. BORDNER	- - - -	Comptroller

DIRECTORS

W. F. R. MURRIE	- - - -	Hershey, Pa.
E. F. HERSHEY	- - - -	Hershey, Pa.
L. W. MAJER	- - - -	Hershey, Pa.
P. A. STAPLES	- - - -	Central Hershey, Cuba
O. E. BORDNER	- - - -	Hershey, Pa.

TRANSFER AGENT
CITY BANK FARMERS TRUST CO.

REGISTRAR
GUARANTY TRUST COMPANY OF NEW YORK

AUDITORS
ARTHUR ANDERSEN & CO., NEW YORK, N. Y.

HERSHEY CHOCOLATE

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash		\$ 7,733,998.49
U. S. Government securities		2,005,625.00
Post-war refund of excess profits tax		642,463.47
Accounts receivable	\$ 2,384,068.63	
Less - Reserve for bad debts and discounts	92,899.48	2,291,169.15
Raw materials, goods in process and finished goods, at the lower of average cost or market		17,031,596.82
Total current assets		\$29,704,852.93

MISCELLANEOUS ASSETS AND DEFERRED ITEMS:

Supplies and repair parts	563,942.92	
Prepaid shipping expenses, insurance, salesmen's advances, etc. ...	114,519.91	678,462.83

PLANT AND PROPERTY:

<u>Particulars</u>	<u>Cost</u>	<u>Reserves for Depreciation</u>	<u>Net</u>
Land	\$ 116,653.35	\$ -	\$ 116,653.35
Buildings and improvements	9,146,284.55	4,783,335.37	4,362,949.18
Machinery, equipment and fixtures	13,819,115.26	9,387,835.98	4,431,279.28
	<u>\$23,082,053.16</u>	<u>\$14,171,171.35</u>	<u>\$ 8,910,881.81</u>
Construction in progress			72,177.02
			<u>8,983,058.83</u>
			<u>\$39,366,374.59</u>

NOTE: The convertible preference stock is entitled to cumulative dividends at the rate of \$4.00 per share per annum. Upon any distribution of capital assets, the convertible preference stock is entitled to receive \$50.00 per share (in excess of treasury shares, at December 31, 1945 or \$12,438,356.00 in excess of the stated value of such shares) and accretion of common stock in any distribution of the balance until the convertible preference stock shall have received a total of \$50.00 per share. In their opinion, there are no restrictions upon the surplus of the Company by reason of the excess of the preferred value of such shares. The surplus accounts, however, are restricted to the extent of the cost of the treasury stock.

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RY COMPANY

HEET - - DECEMBER 31, 1945

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 1,727,920.07
Dividends payable February 15, 1946 on convertible preference and common stock	1,021,999.75
Reserve for Federal and state taxes (subject to review by taxing authorities)	7,593,718.35
Total current liabilities	<u>\$10,343,638.17</u>

CAPITAL STOCK AND SURPLUS (Note):

Convertible preference stock (without par value) -			
Authorized and issued, 350,000 shares of which 78,649 shares have been converted into common stock			
Issued and outstanding, 271,351 shares (including 17,507 shares held in treasury) at stated value	\$	271,351.00	
Common stock (without par value) -			
Authorized, 1,000,000 shares of which 271,351 shares are reserved for conversion of convertible preference stock			
Issued and outstanding, 728,649 shares (including 42,900 shares held in treasury) at stated value		728,649.00	
	\$	1,000,000.00	
Surplus at organization		3,297,212.48	
Earned surplus		28,520,971.63	
		<u>\$32,818,184.11</u>	
Deduct - Treasury stock, at cost -			
Convertible preference stock -- 17,507 shares	\$	1,287,635.19	
Common stock	--	42,900 shares	<u>2,507,812.50</u>
		<u>3,795,447.69</u>	<u>29,022,736.42</u>
			<u>\$39,366,374.59</u>

, plus an extra dividend of \$1.00 per share in any year in which dividends are declared (or paid) on the common stock. amounting in the aggregate to \$12,692,200.00 on the basis of the convertible preference shares outstanding, exclusive imulated and unpaid dividends (if any) before any distribution to the common stock, and shares equally with the total of \$100.00 per share and accumulated and unpaid dividends (if any). Counsel for the Company have advised that, erence of the convertible preference shares in any distribution of the capital assets of the Company over the stated ock.

HERSHEY CHOCOLATE CORPORATION AND SUBSIDIARY COMPANY

SUMMARY OF CONSOLIDATED PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1945

<u>Particulars</u>	<u>Amount</u>
GROSS PROFIT ON SALES	\$18,110,208.46
SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES	6,108,804.25
Net profit from operations	\$12,001,404.21
OTHER INCOME LESS MISCELLANEOUS DEDUCTIONS:	
Profit from scrap and creamery products, discounts and miscellaneous income	\$655,656.63
Miscellaneous deductions, including renegotiation settlement of \$140,872.28 for 1944 and provision of \$50,000.00 for 1945	323,370.66
Net profit before provision for income taxes	\$12,333,690.18
PROVISION FOR INCOME TAXES:	
Commonwealth of Pennsylvania income tax	\$ 317,309.11
Federal normal and surtax	2,820,335.70
Federal excess profits tax	4,320,007.45
Net profit carried to earned surplus	\$ 4,876,037.92

NOTE: Costs and expenses include provision for depreciation of plant and equipment in the amount of \$611,144.20

SUMMARY OF CONSOLIDATED EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1945

Earned surplus at December 31, 1944	\$26,738,722.67
Add-	
Net profit for the year ended December 31, 1945	4,876,037.92
Reduction of depreciation provided in prior years, to conform with amounts allowed by U. S. Treasury Department ..	\$ 960,365.73
Less-additional taxes on income, resulting principally from such adjustment of depreciation	727,687.69
	232,678.04
	\$31,847,438.63
Dividends:	
Convertible preference stock (\$5.00 per share)	\$ 1,269,220.00
Common stock (\$3.00 per share)	2,057,247.00
Earned surplus at December 31, 1945	\$28,520,971.63

ARTHUR ANDERSEN & CO.

To the Board of Directors,

67 WALL STREET, NEW YORK 5

Hershey Chocolate Corporation:

We have examined the consolidated balance sheet of Hershey Chocolate Corporation (a Delaware corporation) and subsidiary company as of December 31, 1945, and the summaries of consolidated profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We were unable to obtain confirmation of certain receivables from United States Government departments and agencies, but we satisfied ourselves as to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and related summaries of profit and loss and earned surplus present fairly the position of Hershey Chocolate Corporation and subsidiary company at December 31, 1945 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., February 25, 1946.

ARTHUR ANDERSEN & CO.

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Our Stockholders, as individuals, can greatly advance the Company's interest and their own, by using **HERSHEY'S** Products in their homes and recommending them to others.
